

## CHAPTER 31

### EXCESS AND UTILIZATION

#### SECTION I - GENERAL

##### 231101 - PURPOSE

a. This chapter provides a uniform procedure for the development of a Supply Control Study - Long Supply (appendix F-170) which reflects the supply status of an item (Family) which is in long supply.

b. This chapter makes recommendations regarding the retention/disposal of assets.

##### 231102 - SCOPE

The procedures of chapter 31 apply to all system assets, centrally stocked and managed by the DSCs, in Long Supply, and otherwise satisfying the criteria for selection specified in section II. All Dual Managed GSA/DLA items in Long Supply will be processed IAW appendix E-374 P.

#### SECTION II - CRITERIA FOR SELECTION

##### 231201 - GENERAL CRITERIA

a. DLA Form 709, appendix F-170, The Supply Control Study - Long Supply, will be produced upon input of Supply Control Study - Long Supply Request Transaction, DIC ZRB. A study will be produced even though the on-hand assets may not stratify to an excess position.

b. Depot dues-in never appear on DLA Form 709. Depot dues-in automatically cause the generation of DIC ZR9 to force the printing of appendix F-167 with Reason for Study Code EX/DE. Dues-in on Direct Delivery (PRs and/or Contracts) will not preclude the preparation of DLA Form 709.

c. SSC 2, 3, or 9 items with no FSSC change will not generate an appendix F-170 output.

d. Disposal Values determined by the DSCs for all stocked items will be entered in Minimum Disposal Values Policy Table 012 (appendix F-259) by preparing and processing the Minimum Disposal Value Policy Table Data Change Inquiry Transactions (appendices B-70, E-070 P, and E-070 V). The Minimum Economical Disposal Value for Replenishment Demand items entry in pos. 23-28, indicates the value of excess materiel below which disposal action is considered uneconomical. These assets are reflected on line 57 of the appendix F-161, Stratification Work Sheet. The

Minimum Excess Review Value for Replenishment Demand and NSO Items entry in pos. 35-40, will indicate dollar value for IM review and cause the output of a DIC ZRB, appendix B-108 transaction.

e. Disposal value determined by the DSCs for nonstocked items, SSC 2 and 3, will be entered in pos. 64-68 of the Stratification Adjustments and Restrictions Policy Table 0026. Transactions (DIC ZRB) will be produced for SSC 2 and 3 items with potential excess exceeding this value.

f. On SSC 9 items, automatic output of DIC ZRB will be produced.

g. The minimum system (wholesale) on-hand excess declaration quantity/value will be as follows:

(1) QFD/New - Age of Item Code N, ICC 1 or P items should not normally be processed for disposal.

(2) QFD/System, Age of Item Code E, ICC 1 or P, Condition Code A on-hand excess will be equal to one QFD/System quantity or \$50.00, whichever is greater.

(3) NSO (New), Age of Item Code N, ICC 2 or B should not normally be processed for disposal.

(4) NSO (Established), Age of Item Code E, ICC 2 or B, Condition Code A on-hand excess will be equal to 1 NSO quantity or \$50.00, whichever is greater.

(5) On-hand excess assets at attrition sites and nonpreferred locations can be disposed of regardless of dollar value.

(6) On-hand excess assets in other than Condition Code A (less Condition Code H, J, or K) can be disposed of regardless of location or dollar value.

h. The minimum disposal quantity/value for preferred locations will be equal to one location QFD/NSO or \$50.00, whichever is greater. (Condition Code A.) Note - Location QFD/NSO value is equal to the Location PRDA times the System QFD/NSO times the Standard Price.

i. The system/location dollar level does not apply under the following conditions:

(1) The retention quantity is 0.

(2) The materiel is in a Condition Code other than A.

(3) The item is a SSC 2, 3, 5, 6, or 9.

(4) The disposal of total stocks of an item at an attrition site or a nonpreferred storage location is being effected.

j. Total disposal (100 percent excess) will not be taken against DLA Identified Weapon System Item, nor will the SSC be changed from a

stocked to a nonstock code due to lack of demand. For disposal of items other than SSC or FSSC 2, 3, 5, 6, or 9, the IM will change the item to a nonstocked status, SSC 3. Refer to appendix E-313 P for full explanation of this review. Changing an item to SSC 2 or 3, will not result in total disposal because a retention limit will be computed on such items.

k. The \$50.00 system/location dollar level is subject to change as directed by HQ DLA, ATTN: DLA-OS.

l. DIC ZRB Transaction will be prepared and forwarded to DSO for all items with system disposable excess above the Minimum Excess Review Value for Replenishment Demand and NSO Items. Use of this value will permit the DSCs to schedule manual review of items stratifying to disposal excess considered appropriate for the IM review.

m. Normally the IM will not dispose of an item whenever the Date of Last Buy or the Date Management of Item Assumed is less than two years, or the Date of Last Disposal is less than one year. The IM should not approve excess recommendation against weapon systems items that result in 100 percent excess action; action should be initiated to change the ICC to a 2 or B and to establish an NSO quantity which will allow for the computation of a retention limit and partial disposal of system assets IAW chapter 32. The IM should normally avoid two disposal actions at the same depot within one year. Deviations from the above general policy guidances should be discussed and approved by the next higher echelon of supervision or as designated by DSO, as indicated in appendix E-313 P.

n. The IM will not immediately dispose of an item where the extended disposal value is greater than \$10,000. The section VII procedures relative to review and utilization will be followed first.

o. Whenever an item is reviewed for partial disposal action, the IM will always first review the item for an ICC change from a replenishment demand item to an NSO or from an NSO item to a replenishment demand item. The Retention Limits for QFD/New, QFD/System, and NSO items should be IAW chapter 32. If there are significant changes to the item management elements, the changes should be made and a new DIC ZRB entered subsequently to prevent unnecessary recomputations by IM.

p. In the rare instances where items have DLA/Service commingled assets in Ownership Codes 0, 1, 3-9, appendix A-14, these items will be manually annotated IAW procedures in appendices E-031 P, E-313 P, E-330 P, and F-50.

q. On War Reserve Classification Code H, Hard Core items, or S, Soft Core items, all assets in excess of Retention Limits will be recommended for retention if in the manager's judgment the stock can be issued at a later date. Consideration will be given to materiel condition, shelf-life, deterioration rate, obsolescence, and the probability of escalating requirements under mobilization conditions, and so forth. On-hand assets in excess of the Retention Limit will be retained by establishing an AERQ IAW appendix E-188 P of this manual.

r. Disposal actions will be accomplished for an item on the effective date of the DSC withdrawal based upon the criteria outlined in chapters 48 and 50.

### SECTION III - OUTPUT FREQUENCY

#### 231301 - QUARTERLY OR MANUAL OPTIONAL BASIS

a. The Supply Control Study - Long Supply Request/Action Transaction (DIC ZRB, appendix B-108,) will be prepared automatically on a quarterly basis as of 31 March, 30 June, 30 September, and 31 December of each year as a product of the Quarterly Inventory Review and Stratification processes for Replenishment Demand, NSO, and SSC 2, 3, and 9 items.

b. The DIC ZRB may be prepared manually.

c. DSO will reenter DIC ZRB Transaction to obtain updated Supply Control Studies - Long Supply and Detailed Asset Listings (appendix F-170) and Recommended Disposal Transaction (DIC ZLC, appendix B-31). Values entered in the Minimum Disposal Values Policy Table (appendix F-259) determine which DIC ZRB Transactions are forwarded to the IM for manual review. ZRB transactions for SSC 2, 3, and 9 items will not be reentered. For these items, it will be necessary to obtain a NIR printout, appendix F-109, and a Demand/Returns History Listing, appendix F-191.

### SECTION IV - IDENTIFICATION OF ASSETS

#### 231401 - TABLE OF ASSETS IDENTIFICATION

a. For retention purposes, apply DLA-owned assets (Stock on hand) against the System Retention Limit in the order of Retention Priority Sequence Numbers shown.

(1) Determine Retention Priority Sequence Numbers by combination of Asset Categories and AAC.

(2) Consider all stocks of SSC 6 items coded as partially substitutable as applicable assets when comparing assets to the Retention Limit.

(3) Enter in the Supply Control Study - Long Supply, on the appropriate lines as indicated in the table assets to be retained or disposed of within each Retention Priority Sequence Number.

b. Always retain over and above the Retention Limit the following Unapplied Assets.

(1) Retention Priority Sequence Number 22A (stocks under litigation).

(2) Retention Priority Sequence Number 22B (stocks on loan).

(3) Retention Priority Sequence Number 22C (stocks held for other DLA activities).

(4) Retention Priority Sequence Number 22D (unserviceable condemned stocks).

(5) Retention Priority Sequence Number 22E (suspended - in stock; materiel held at DLA depot(s)).

(6) Retention Priority Sequence Number 22F (suspended - returns).

c. Always recommend for disposal the following Unapplied Assets:

(1) Retention Priority Sequence Number 22G (suspended - in stock; materiel held in an attrition site(s)).

(2) Retention Priority Sequence Number 22H (AG 38 and other nonrotatable stock applicable to shelf-life).

#### SECTION V - DISPOSAL RECOMMENDATIONS

##### 231501 - GENERAL

a. Recommend Disposal Transactions (DIC ZLC, appendix B-31) for IM actions will accompany the Supply Control Study - Long Supply and Detailed Asset Listings. Quantities recommended for disposal and their locations must be identical on both the Asset Listing and the Recommended Disposal Transactions.

b. The Retention Quantity field, pos. 55-61, of the DIC ZLC disposal transaction will be zero filled to indicate total disposal of the specific pos. 25-29 quantity for that location's Condition/Purpose Codes. If a quantity appears in the pos. 55-61 Retention Quantity field, that quantity is to be retained and the balance of that location's Condition/ Purpose Code is to be processed for disposal. Refer to chapter 12, paragraph 212202, and appendices B-31 and E-031 P, for additional explanations relative to Retention Quantities in pos. 55-61. If multiple transactions or different Ownership/Purpose Codes are involved the quantity, pos. 55-61, will be the NSN item total retention quantity and the total must be in all applicable transactions.

c. Appendix A-156, Reason for Study Code EX, (appendix E-313 P), will appear on all Supply Control Studies - Long Supply forwarded to the IM.

d. Disposal quantities will remain in the on-hand files until Recommended Disposals are reentered by the IM. At this point the disposal transactions will be initiated except when paragraph 231503 applies.

##### 231502 - REVIEW OF RECOMMENDED DISPOSALS

a. The IM, upon receiving the recommended disposal documents, must examine closely the Supply Control Study - Long Supply and Detailed Asset Listing. If there have been significant changes in the status of

the item which are known to the Item Manager, he should discard or revise the Recommended Disposal Document to effect the desired action. In particular, the Item Manager should edit both quantity fields when recommended disposal actions are being revised for reentry into the system.

b. Terminal stocked items, Supply Status Code 6/Standardization Status Code 3 or E, that have an on-hand asset position will be eliminated from the supply system without referral to the registered users in accordance with procedures in chapter 28, and based on a center determined cost-effectiveness consideration. The center will determine the terminal item asset dollar value for disposal and the preferred item asset position over a predicted time period. The Item Manager should evaluate the terminal item on the basis of value of assets on hand in relation to the predicted time period over which issue to exhaustion would take place. Generally, the items to be eliminated will have an extensive issue-to-exhaustion time period coupled with center determined low dollar value of assets. Terminal items/assets should be retained and issued when the demand forecast indicates that assets can be issued in a relatively short period of time, regardless of the dollar value of assets. A suggested manual formula to be considered by the DSCs is as follows:

(1) SSC 6/STDZ 3 or E. Multiply the past years total demand by 2. Subtract the two year demand projection from the Condition/Purpose Code A on-hand or due-in assets. If there are assets above this two year projection, the item has an extensive issue to exhaustion time period.

(2) Head of the Family preferred item. Multiply the past years total demand by 2 or QFD/System quantity by 8. Add the past years demand of the SSC 6/STDZ 3 or E item to the greater of the two year projection. Subtract this total family projection of requirements from the Head of the Family on-hand assets.

(3) If there are remaining assets above this total family projection of requirements, the SSC 6/STDZ 3 or E item assets can be processed for total disposal as soon as the due-in assets (from other than purchase requests or contracts) are received. If the due-in assets for the SSC 6/STDZ 3 or E assets are from a purchase request or contract, cancel the purchase request or contract at no cost to the Government. If cancellation cannot be accomplished, or if the Date of Last Buy (from previous contracts) is within the past two years, do not process the SSC 6/STDZ Code 3 or E item for disposal at this time.

(4) The DSC may also elect to use an extensive issue to exhaustion formulation for SSC 6 items having a replacement Head of the Family Item where a formal standardization was not accomplished.

(5) The Management Support Office in the Directorate of Supply Operations shall be responsible to develop and maintain an extensive issue to exhaustion formulation for item manager use.

c. Whenever an item is deleted with or without a replacement NSN, the materiel will be automatically disposed of by use of a DIC A5J

transaction on the Effective Catalog Date. Items that are canceled as duplicates of other items, will not be disposed.



## 231503 - MECHANICAL PROCESSING OF RECOMMENDED DISPOSALS

a. The disposal transaction will consist of processing the Recommended Disposal document to update files and records and to generate Disposal Release Orders (DIC A5J) for transmission to the storage depots. Refer to chapter 12 of this volume for the details of processing disposal documents.

b. Prepare Disposal Transaction Summary Listing (F-33) as specified in chapter 12.

## SECTION VI - REDUCED PRICE SALES

### 231601 - GENERAL

a. Although reduced price sales procedures may be initiated at any time, the review of recommended disposals should include consideration of reductions from standard prices as a possible incentive for additional sales as opposed to initiation of disposal. Responsibility for the initiation of reduced price sales procedures rests primarily with the DSC.

b. Reduction from standard prices for sales purposes to stimulate movement of items will be made upon DSC determination that there is an actual difference in utility or desirability of an item because of age, condition, or model. This authority to reduce sales prices is applicable to:

(1) Items being phased out of the system (not currently being procured).

(2) Items in long supply (economic and contingency retention stock not currently being procured and for which there is no procurement need in the foreseeable future, and stocks stratified as excess).

c. The purpose of such reduction in price is to recognize the relative value in use of the item concerned and to encourage supply economy through use of such materiel when suitable.

d. To be justified, a price reduction should serve to reduce procurement requirements for a standard item or items.

e. The standard price itself will not be changed solely because of the reduced price sales procedures. Price reductions made on sales at less than standard price will be applied against the billing covering the materiel issued. The net dollar value of the price reduction will be reflected under Price Reductions on Sales, contra appropriate Accounts Receivable.

### 231602 - FOUR TYPES OF PRICE REDUCTIONS FOR SALES

a. ALL QUANTITIES. Applies to all quantities of materiel. Offers are made to all customers in general without time limitation. Sales promotion methods and procedures for advising customers of items are as

developed by DSCs pending development of standard guidance by HQ DLA. DSC data published to customers will contain appropriate special requisitioning instructions (such as to specify fill or kill and to indicate in exception data that stocks in a certain condition code are desired).

b. LIMITED QUANTITY OR SPECIFIED TIMEFRAME. The intent is to work down long supply stocks but to retain some stocks for future issue at the standard price. Offer is made to any or all customers. (Requisitions will not be filled automatically but on an exception basis subject to Item Manager Review.)

c. STOCKS IN CERTAIN CONDITION CODES. This would apply to items having less utility, if used (such as clothing), or items approaching the end of safe shelf-life. Such items may be identified by Condition Code B or Condition Code C. Offer would be made to any or all customers.

d. ONE-TIME TRANSACTIONS

One-Time Transactions are those for which an agreement is reached with a customer to accept as a substitute or to requisition agreed upon quantity of the item at a specified price reduction. Examples are:

(1) DSC offers a marginal substitute at a reduced price to fill a customer requisition per guidelines of DLAR 4140.49.

(2) DSC, with reduced price as an incentive, convinces a major customer to requisition all or a substantial quantity of a long supply item or items with short remaining safe shelf-life in lieu of disposal action or action to advertise as a reduced price sale.

231603 - REQUIREMENTS FOR CANDIDATES SELECTED FOR REDUCED PRICE SALES

a. All possible effort to utilize items at full price through secondary uses and substitution will be applied prior to consideration for reduced price sale.

(1) Item must have a unit price of at least \$.02 (reduction factor cannot be applied below \$.02).

(2) Nonstandard item(s) on which the manager cannot reasonably expect to attrite assets at established unit price.

(3) Standard items both active and inactive where assets would be stratified as disposable if stocks are not attrited.

b. Procedures for processing each type of price reduction transaction are as follows:

(1) Specific NSN(s) on issue to all customers.

(a) The IM will, with the approval of the section supervisor and in some cases at the direction of the MSO:



1. Prepare a documented recommendation by IOM containing the following information:

a. Brief description of the item and summary statement on interchangeability, substitutability, and standardization of the item.

b. An explanation of efforts made to move item, i.e., at full standard price, as a substitute.

c. The inventory status and demand for the item (usually by attaching a requisition status/history file printout).

d. Type of sale recommended (offer to all customers, negotiate with specific customer(s), offer as marginal substitute to specific customers).

e. Beginning and closing dates (if applicable).

f. Percentage reduction recommended (in multiples of 10 percent) and Condition(s) (A, B, C) which are applicable.

2. Coordinate the recommendations with DTO if detailed information is required.

a. DTO will provide any technical information required.

b. A final check for other applications through interchangeability or substitution will be made by DTO and then return recommendations to DSO.

3. Upon receipt of Technical Operations recommendations, forward coordinated recommendations to the Office of Comptroller for review and approval.

(b) The Office of the Comptroller will:

1. Review and if approved, advise the IM by annotation on copy of the request, including effective date of reduced price and initials.

2. If disapproved, return to IM with written explanation.

(c) The Office of the Comptroller will:

1. Take necessary action to insert information into the Financial Subsystem including the Price Reduction Percentage Factor (PRPF) to allow mechanical processing and billing of requisitions received for recommended NSN(s).

2. Advise DSO of action taken including the effective date of computer input.

(2) One-Time Transaction - This applies if IM recommends a marginal substitute to fill a customer requisition and considers that a price

reduction is appropriate per guidelines in DLAR 4140.49. Procedure is outlined as follows:

(a) The IM will:

1. Initiate recommendations for price reduction on IOM. (NOTE: Discussion with customer at this stage is authorized as long as a firm commitment as to amount of reduction is not made.)

2. Consult with DTO as considered appropriate to receive necessary technical data.

3. Forward recommendations and pertinent data from the customer's requisition to the Office of Comptroller.

(b) The Office of the Comptroller will:

1. Review and if approved, advise the IM of action taken and effective date.

2. If disapproved, return to the IM with written explanation.

3. Enter requisition information and PRPF to allow mechanical processing of the requirement on a one-time basis.

4. Inform DSO of action taken including the effective date.

(3) Negotiations with Major Customers - This applies when the IM, with prior approval from the Office of Comptroller and reduced price as incentive, convinces a major customer to requisition all or a substantial quantity of a long supply item (including items with short remaining shelf-life). Procedure is generally the same as for substitute offered transactions except that customer is advised to submit a fill or kill requisition with exception data as follows: Subject to \_\_\_% price reduction. Upon receipt of requisition, appropriate documentation is submitted to the Office of Comptroller for further processing.

c. When the decision has been reached to offer an item(s) for sale at a reduced price and approval has been received from Office of the Comptroller, IM will make every reasonable effort to advertise the sale. Routine contacts, e.g., phone or message, will be utilized to advise individual customers. If formal advertisement is indicated, due to the number of items involved, the dollar value or quantity of excesses available for sale, the IM will submit an IOM to MSO requesting that the item(s) be advertised for sale in the DSC Newsletter (or by other appropriate means). The IOM should include the NSN(s) involved, the reduction factor used, and any information required by a requisitioner to complete the sale such as condition codes involved, special advice codes required. Although there is no absolute dollar limit on reduced price sales, coordination with the MSO is required to determine the advisability of using the DSC Newsletter if the dollar value of excess per item is less than \$5000.00.

d. The signature authority levels for reduced price sales will be the same as the signature/approval levels established for routine stock procurements.



e. Upon customer acceptance of a reduced price offer, IM will submit a cost reduction report to MSO IAW existing cost reduction program procedures.

#### 231604 - REVIEWING SUPPLY CONTROL STUDIES - LONG SUPPLY FOR REDUCED PRICE SALES

a. To obtain a Supply Control Study - Long Supply (appendix F-170), IMs will forward a Supply Control Study - Long Supply Request/Action Transaction (DIC ZRB, appendix B-108) to the ODS. Printed studies will have Reason for Study Code EX (refer to appendix A-156).

b. After obtaining and reviewing Supply Control Studies - Long Supply, IMs will process the Recommended Disposal Transactions, DIC ZLC, or, if applicable, implement the specific policy developed by the DSC for reduced price sales.

c. The Office of the Comptroller will be apprised of the receipt of a requisition for which a one-time price reduction is desired. The Office of the Comptroller will notify the DSO when the one-time transaction has been appropriately recorded. IMs will then release the suspended requisition to the ODS.

d. IMs will consult with anyone having information helpful in determining how much of a reduction is appropriate (i.e., Office of the Comptroller, DTO, Procurement). Reductions to standard price will be in terms of a percentage factor (PRPF). The Office of the Comptroller will review and approve the price reduction. The pricing activity will enter DIC YYR into the computer programs.

#### e. Additional Consideration

(1) As stated in paragraph 231601a, reduced price sales procedures may be initiated at anytime. Therefore, care must be exercised neither to initiate nor to allow the continuation of a reduced price sales for a Condition Code A item whenever a buy is prepared for the item.

(2) The DSO accepts and reviews requisitions containing 5 or E in pos. 3 received by mail, telephone, teletype, and courier. To establish these requisitions on the RCSF and to initiate Manager Forced/Directed Actions, IMs will employ techniques and codes provided in chapter 4.

(3) In consonance with chapter 2, IMs may use judiciously DIC ZJM, to code variable fields in the NIR to effectively control the processing of requisitions (e.g., use of Manager Review Code D, appendix A-70, to control requisitions for Limited Quantity Reduced Price Sales).

(4) The IM must, in all decisions to offer items at a reduced price, maintain this information manually including the time period for which the price reduction will be in effect.



## SECTION VII - REVIEW AND UTILIZATION

### 231701 - GENERAL

DSCs will document each declaration of potential excess valued at over \$10,000 per item in Condition Code A, or valued at a lower figure based on a DSO and DTO agreement at the DSC. Refer to paragraph 231702c for appropriate documentation to be utilized by DSO.

### 231702 - SUPPLY DOCUMENTATION

a. The \$10,000 dollar level, Condition Code A, for technical referral can be lowered to a mutually acceptable dollar level based on DSO and DTO agreement.

b. The documentation should indicate the source of the excess when known, i.e., capitalization, reduction in requirements, reutilization efforts, and other information that will support the declaration action.

c. The excess declaration referred to technical personnel is dependent upon the source of the excess, and should be either:

(1) DLA Form 1152, Technical Guidance for Stock Management, IAW appendix E-171 P, when the excess is the result of a technical determination that an item of supply is to be phased out of the system due to a replacement item(s), or:

(2) DLA Form 1200, Request for Routine Technical Assistance, IAW appendix E-279 P, when an item is in excess of \$10,000.00, or a figure based on a DSC established level based on a DSO and DTO agreement.

### 231703 - REVIEW OF OTHER MANAGEMENT DATA

a. Concurrent with individual NSN long supply/disposal reviews, IMs will review the Supply Status Code, Item Category Code, and Age of Item Code assigned.

b. The purpose of this review is to validate the codes assigned or take corrective action to update these entries. IMs will prepare Supply Status Code changes IAW appendix E-413 P and/or appendix B-189, DIC ZR3 documents, to update the Item Category Codes and Age of Item Codes.

### 231704 - TECHNICAL REVIEW

a. A technical/engineering review will include, but not be limited to finding new uses through substitution, modification, interchangeability, and MAP.

b. Additional References

(1) DLAM 4140.3, Materiel Management Manual.

(2) DLAM 7000.1, Accounting and Finance Manual.

(3) DLAM 7000.2, Chapter 6, SAMMS Financial Subsystem Operating Procedures.

(4) DLAR 4140.49, Utilization/Substitution of Long Supply Items.

(5) DLAR 4140.52, Assignment of Supply Status Codes and Acquisition Advice Codes.